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South Asia After the Uruguay Round

What Must Be Done?

South Asian countries stand to reap enormous benefits from a post-Uruguay Round global market, but they must do much more to liberalize their trade policies and to integrate their economies with the rest of the region and the world, according to a recent World Bank study.

"Open economies and those with the capacity to adjust are going to benefit more from the Round," according to the paper, *The Uruguay Round and South Asia*. In this respect, many countries in the region have a lot of work to do.

The Round agreement, concluded in April 1994, is considered the most ambitious and detailed trade agreement in the history of international trade, and is expected to generate global income gains of up to $200 billion a year. The World Bank estimates that developing countries are likely to receive one-third of the trade-led additional income in 10 years, and that they may be able to benefit from significant increases in trade and investment from the Round.

For South Asia, the Round is estimated to generate almost 7 billion a year in income gains, increasing regional GDP by 2 percent and real wages by 2.5 percent. Output of clothing will increase ninefold and exports more than twentyfold.

World Bank

Tailoring industries toward the new global market.

Nevertheless, the success or failure of each country in South Asia, and of specific products and services, will depend on the speed of individual adjustment to new market conditions, the report says. It will depend on the countries' structures of exports and imports, existing conditions of market access, and supply flexibilities.

"The Uruguay Round improves market security for both exporters and importers, but South Asian countries must do more to adjust their domestic policies to the realities of the post-Round global environment," says Nader Majd, author of the study.

The report focuses on four major countries in the region: Bangladesh, India, Pakistan and Sri Lanka. But all South Asian countries, it adds, "need to make the necessary changes in their legislation dealing with customs valuation, intellectual property rights, services, banking and insurance."

India has done a lot to open up its economy but has not moved forcefully enough to remove restrictions on most imports of consumer goods. Pakistan retains heavy restrictions on many imports but is reducing tariff rates. Quantitative restrictions on imported goods still hamper efficiency in the textile and pharmaceutical industries in Bangladesh. Sri Lanka's trade regime is the most liberal

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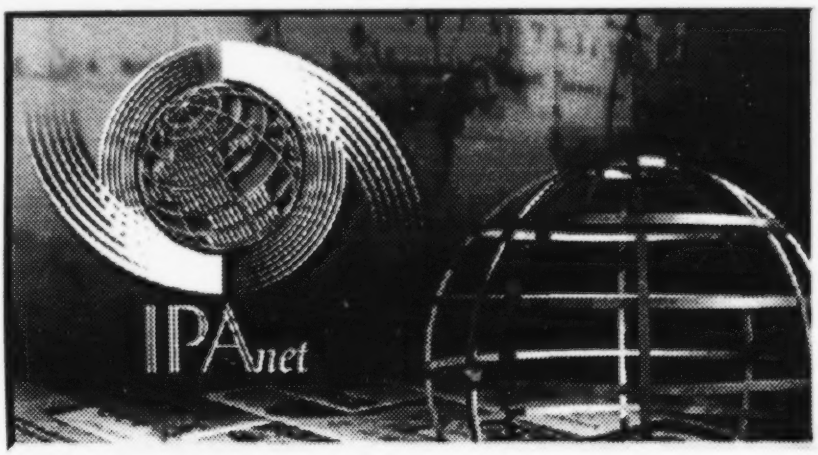
World Bank News is also on-line at **www.worldbank.org**

ON-LINE

New On-line Shopping Mall for Investment Information

Investors in Japan can find out what the competition is doing in Russia; European businesses can window-shop for the best investment opportunities in Africa; and producers in Indonesia can market their wares around the world—all through a new global telecommunications tool.

The Multilateral Investment Guarantee Agency (MIGA), a World Bank affiliate, has launched a new electronic investment marketplace on the internet. This powerful information and marketing tool is for international investors, businesses in developing and industrialized countries, governments seeking opportunities for growth, or anyone interested in sharing, obtaining or providing information about ongoing or potential investment opportunities around the globe.



"It's like a one-stop shopping mall for investment-related information," says Martin Hartigan, of MIGA's Investment Marketing Services. "Any small business—in any country—with something worthwhile to offer international businesses will be able to launch an international enterprise, without even leaving home or knowing how to market."

After more than two years of an ongoing research and development effort, the Investment Promotion Agency Network, or *IPAnet*, has just begun a free trial period to provide on-line links that allow the business community and supporting institutions worldwide to exchange high-quality information, with access to World Bank Group data bases on a host of countries, sectors and regions.

IPAnet will carry information on investment opportunities and give quick access to global data bases on foreign investment conditions. It will provide marketing billboards of members, user-customized news and conference announcements, as well as powerful search, intelligence and communications features to enhance marketing efforts and to accelerate decisionmaking, breaking down the barriers now posed by distance, lack of personal contacts or transportation and marketing costs.

MIGA expects subscribers to include private investors and intermediaries such as investment promotion agencies, business chambers and associations, financial institutions, consultants and governments. While much of the data and information carried over *IPAnet* will be provided by users and members, MIGA is also including specialized economic, social and financial databases developed by the World Bank Group.

IPAnet opened November 6, and by the end of the first week, it had more than 100 registered users, in spite of the fact that most people did not even know its internet address. "Our staff here see *IPAnet* as the great equalizer," Hartigan says. "People will no longer have to go find the market: the market will find them."

For more information, call Adnan Hassan at (202) 473-5431, fax (202) 522-2650, or e-mail to ipanet@worldbank.org, or visit *IPAnet* at: www.ipanet.net .□

IFC Pulls Out of Nigeria LNG Project

The International Finance Corporation announced on November 10 that it would not present a proposed investment in a liquefied natural gas (LNG) project in Nigeria to its board of directors for approval.

"The merits of this project and its structure are sound," said IFC Vice President Jannik Lindbaek in explaining the decision. "However, in discussions with the Nigerian government we have consistently made it clear that we could only proceed if there was sufficient progress in certain critical areas of macroeconomic reform and if we felt we had the support of our member country shareholders. While there has been progress on the fiscal and monetary side, key policy decisions have yet to be implemented. In this situation, IFC is unable to proceed."

The proposed project, amounting to more than $3 billion, would develop an LNG field in southeastern Nigeria. IFC has been considering providing a loan of $100 million as well as taking a 2 percent equity share in Nigeria LNG. The project would have been the first time that the Nigerian Government's ownership stake would be reduced below a majority position in a hydrocarbon project in the country.

LENDING

Bangladesh To Improve its Embankment Network in the Fight Against Natural Disasters

The International Development Association (IDA) on November 9 approved a $34.1 million credit for a project that will give Bangladesh greater protection from cyclones. The concessional loan will be used to rehabilitate and improve embankments along the coastal belt surrounding the Bay of Bengal and to build new embankments in the areas where existing embankments are subject to erosion.

The credit will also finance the rehabilitation of drainage canals and of some non-coastal sections; tree plantings on the embankment slopes and the foreshore; improvements in embankment maintenance; technical assistance and training for agencies, non-governmental organizations and community groups; and compensation, rehabilitation and relocation of people displaced by the project.

In addition to providing additional protection to 1.2 million people living in the area, the project will benefit some 66,500 hectares of cultivable land by improving drainage and shielding from saline infiltration. Crop production and incomes are both projected to increase by about 40 percent, and demand for agricultural labor should rise from a yearly 190 to 280 days per hectare.

One important feature of the project is the involvement of local communities. Squatters and other landless people will be organized to maintain the embankments and to plant and maintain trees on the embankments in return for the produce of the trees.

World Bank

Embankments will save lives.

Cyclones, monsoons, and flooding are a recurring phenomenon in Bangladesh and cause major loss of lives, livestock, crops, property and infrastructure. These calamities also exact a heavy economic toll, since resources must be diverted to provide emergency relief and to restore damaged or destroyed facilities.

Over the last 25 years, 14 major cyclones have hit the coastal belt of Bangladesh. In 1991, a cyclone killed more than 140,000 people, destroyed 864,000 homes and damaged another 774,000. If embankments had been in better condition, the damage would have been much less severe, but at the time they were in great need of repair and were breached in many locations.

In the wake of the disaster, IDA and other donors financed an emergency program for the most urgent repairs. The new credit will fund the additional work needed to make the embankment network effective once again.□

☎For more information call Rebeca Robboy at (202) 473-0699, fax (202) 522-0321.

The Dominican Republic Gets a Boost for Primary Education

The Dominican Republic is trying to improve its educational system in order to lower the country's poverty rate, which currently stands at 20 percent. The government knows that in order for the economy to be stabilized and exports to increase, it must raise the quality of human capital. The average Dominican worker has completed only four years of school, and one person in five over the age of 15 is illiterate.

On November 9, the Bank approved a loan of $37 million to bolster the government's program for basic education for the 1996-2000 period.

Public spending on education fell from 1.9 percent of GDP in 1982 to 0.9 percent in 1991, and recurrent spending per primary school student is ranked among the lowest in the hemisphere. By 1991, only half the children enrolled in public primary schools could expect to complete the primary cycle and less than one-quarter could expect to complete grade 8, the final year of basic education.

In 1991, the government approved a 10-year education plan, supported by the World Bank with a loan of $15 million and a parallel loan of $29 million by the Inter-American Development Bank. The loan approved this month is a follow-up to the Bank's earlier commitment.

The project's goals are to improve the quality of basic education; increase enrollment and completion rates, especially among children from low income families and strengthen the technical and resource management capabilities of the Education Secretariat and of parents' associations.

Some of the primary project components will provide financial and technical assistance in: revising the national curriculum; training teachers; improving the student assessment system; expanding school nutrition programs; repairing facilities; assisting—on a pilot basis—private schools that serve low-income students; providing aid and equipment to the Secretariat, parents' associations and educational studies.□

☎For more information, call Aurora Losada, (202) 473-2460, fax (202) 522-3698.

Putting Local Experts in the Driver's Seat

Participants at a seminar in Vladimir, Russia, earlier this month rediscovered a branch of the World Bank that is a very valuable asset in the success of many projects around the world.

The Economic Development Institute (EDI) does not negotiate loans or projects; it does not set policies or conditions; and it has no evaluation or inspection authority. Yet it provides an increasingly important service, often even before a project is approved.

"We go into a country, sometimes before the Bank does, to facilitate understanding and to determine ways in which the Bank can help," says Djordjija Petkoski, a senior enterprise restructuring specialist at EDI. Simple as this may sound, it is close to the mark in describing action that is of fundamental importance in the development business, as those attending the Vladimir seminar found out.

At the seminar, 35 government and local officials, banking and enterprise executives, trainers, consultants, nongovernmental organizations and journalists—all key stakeholders in the transition process in Russia, Kazakhstan, Belarus and Ukraine—sat with Bank President James Wolfensohn and told him what they thought the Bank should do to avoid past mistakes, to be more responsive to local needs, to become more client oriented, to boost performance and, in essence, to improve its work in the former Soviet Union (FSU).

For Petkoski, who chaired the seminar, this was not unusual: in addition to providing technical and managerial training courses, EDI provides fora where those involved in any and all aspects of economic development and policy-making, from industrialized and developing countries, can share experiences, ideas and knowledge. In short, EDI builds the knowledge and the consensus needed for success.

The Vladimir seminar drove home three basic points that Petkoski has been hearing often lately in the FSU. First, "that loans and foreign consultants are not enough for the success of a project." Since 1991, Russia has privatized over 10,000 enterprises but, as many at the seminar pointed out, "the Bank cannot do this alone—only with the locals can this happen."

Second, projects must be sustainable through the long-term: "Consultants leave, but people in the country need continuing support during the transition," says Petkoski.

Third, the capacity to implement projects in transitional economies already exists, but it needs to be strengthened and updated. One Khazak business school set up with EDI support, for instance, now has 10 training courses with local teachers and materials (it still receives EDI supervision under a Bank loan). A Russian consulting firm that started off with one person now employs 65 people and operates in five cities.

Since 1991, EDI has directly trained 6,000 people in the FSU. Today, its services in the region are needed more than ever because economic conditions are changing so rapidly that new demands emerge constantly, especially for up-to-date information and training on complex issues such as capital and equity markets, mergers, corporate governance and strategy and other components of modern markets.

Increasing the participation of journalists is one of the new strategies being adopted. The media is crucial in providing much-needed information about and analysis of economic policy-making, yet journalists in the FSU have only very recently begun to do so. Furthermore, Petkoski says, they traditionally have had very little knowledge of economics and have not clearly illustrated the link between economic policy and political longevity. "Many journalists were not allowed to have economic knowledge, and they did not understand the connection between economy and politics in the transitions by former Communist countries."

EDI expects to allocate close to 65 percent of its resources in 1995-96 to the countries of Sub-Saharan Africa and of Europe and Central Asia. The guiding principles will remain those that allowed EDI to grow into an organization that in 1995 will have conducted 166 activities around the world, involving 6,600 direct participants: an emphasis on clients, training trainers, partnerships, joint planning, a programmatic approach, participatory learning and a broadening audience.□

☎For more information, call Djordjija Petkoski at (202) 473-7226, fax (202) 334-8350.

South Asia Needs to Accelerate the Pace of Reform

SOUTH ASIA, *from page 1*

in the region, but anomalies still exist in legislation for incentives, according to the report.

More disciplined rules to protect intellectual property rights and more transparency for investment and competition policies must be put into place for long-term gains. Furthermore, in all four countries, binding tariffs must be greatly reduced if benefits are to be obtained from the Round's disciplines in agriculture, which call for the elimination of non-trarrif barriers.

All countries in the region stand to gain from the removal of existing quantitative restraints under the Multifibre Agreement and from reduced tariffs on agriculture. But the report predicts that gains in agriculture will be more modest than in textiles and clothing. The region may also benefit from more liberalized markets for semi-manufactured exports.

In conclusion, the report states that South Asia remains less liberal in its trade policies than East Asia, including China, and that it must accelerate the pace of reforms if it is to become more competitive in the new global market that is emerging from the Uruguay Round accords.□

☎For more information call Rebeca Robboy at (202) 473-0699, fax (202) 522-0321.

DEVELOPMENT AGENDA

Date	Event	Sponsor	Location	Telephone
NOVEMBER				
16-17	Central American Social Investment Fund: NGO Meeting	FHIS (Social Investment Fund of Honduras)/World Bank	Roatan, Honduras	(202) 458-2532*
20	Conference on Regional Prospects for Economic Development (see details below)	Middle East Institute/ World Bank	Washington	(202)473-2818*
30-Dec. 1	Donors' Meeting for Viet Nam	World Bank	Paris	(33-1)40693011
DECEMBER				
1	World AIDs Day			
4-6	Seventh Annual Meeting of the Governing Council	Common Fund for Commodities	Amsterdam	(020) 6646409
10	Seminar on Savings Behavior and Products	Epargne Sans Frontière/ Centre National des Caisses d'Epargne et de Prevoyance	Paris	(33-1)4800-9682
12-13	World Bank Japan Research Fair	World Bank and Japanese Development Organizations	Tokyo	(202)473-7465*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

MEDIA ADVISORY

Conference on Regional Prospects for Economic Development in the Middle East and North Africa (MENA)

Sponsored by the Middle East Institute and the World Bank, Monday, November 20, 9 am-4 pm at 1915 G Street, NW, Washington, DC. Events are open to the public. For reservations, call Gena Gorospe at (202) 473-2623, fax (202) 522-0003.

Long-term prospects for MENA - Speakers: Jan Piercy, United States executive director of the World Bank; Ibrahim Oweiss, Georgetown University; John Page, World Bank; Alan Richards, University of California; Nemat Shafik, World Bank.

The Maghreb and the European Union - Speakers: William Quandt, University of Virginia; Uri Dadush, World Bank; Mary Jane Deeb, Middle East Institute; Bertin Martens, European Commission.

The Economics of Peace - Speakers: David Ignatius, *Washington Post*; Caio Koch-Weser, World Bank; Aaron Miller, US State Department; Nabil Sha'ath, Palestinian Authority; Uri Savir, Israel's Foreign Affairs Ministry.

WEEKLY ROUNDUP

ARMENIA The International Development Association on November 9 approved a credit of $12 million to Armenia to provide financing for small-scale infrastructure projects in the poorest areas of the country, to train contractors and local private firms, and to assist the local implementing agency, the Armenian Social Investment Fund. Infrastructure microprojects will include the rehabilitation of clinics, primary schools and feeder roads, as well as sanitation and water supply improvements and energy saving repairs. The aims are to improve living conditions, strengthen small local contractors, generate employment through the public works and allow policymakers to better analyze trends and conditions.

For more information, call Jan Pakulski at (202) 473-3195, fax (202) 522-2633.

BRAZIL AND IFC Perdigao S.A. Comercio e Industria of Brazil signed a financing agreement of $50 million October 29 with the International Finance Corporation (IFC) for a project that is expected to have significant economic impact in Santa Catarina and Rio Grande do Sol. Perdigao, which processes pork and poultry products, is expected to add an estimated 1,500 contract farmers—mostly small, family-owned businesses—to its supply network and will improve its health and safety standards to keep pace with requirements in its major export markets in Europe and Asia. IFC is providing $35 million for its own account and is arranging a loan of up to $15 million to be syndicated with international financial institutions.

For more information, call Maurizio Petta at (202) 473-7987, fax (202) 676-0165.

JORDAN AND IFC The International Finance Corporation (IFC) signed a financing agreement of $38 million on October 29 with the Jordan Mobile Telephone Services Company, which will develop, install and operate a nationwide digital cellular network for mobile telephone services. The company was awarded a 15-year license by the government in a competitive bid. The total project cost is estimated at $85 million. The IFC financing package includes $18 million for IFC's own account and a syndicated loan of up to $20 million for participating banks. Planned IFC syndication will be the first such placement with international commercial banks for a private Jordanian company since the late 1970s.

For more information, call Amy Conran at (202) 473-9119, fax (202) 676-0165.

PAKISTAN Pakistan's telecommunications sector will receive technical assistance, consulting services, training and hardware support thanks to a $35 million loan approved November 9 by the World Bank. The project, with an estimated total cost of $53.6 million, is the Bank's first to provide comprehensive regulations and privatization assistance in Pakistan's telecommunications sector.

The loan will finance technical assistance and training to the newly-created Pakistan Telecommunications Authority and Frequency Allocation Board. It will provide consulting services for tariff, management and quality control strategies, as well as hardware and software for the new management and monitoring systems.

For more information, call Rebeca Robboy at (202) 473-0699, fax (202) 522-0321.

GEF GRANTS The Global Environment Facility (GEF) will provide grants for environmental projects in four countries for a total of $24.8 million, the World Bank announced November 9. The Bank is one of three implementing agencies of the GEF. Bulgaria, Hungary and Slovenia will receive $10.5 million, $6.9 million and $6.2 million, respectively, to phase out ozone-depleting substances (ODS) as agreed by the 1985 Vienna Convention and the 1987 Montreal Protocol on ODS. A $1.2 million grant will help the government of Mauritius meet its international obligations under the Biodiversity Convention on habitat and species restoration. For more information on GEF and Bulgaria, Hungary and Slovenia, call Jocelyne Albert at (202) 473-3458. For more information on GEF and Mauritius, call Robin Broadfield at (202) 473-4355. GEF fax (202) 522-3256.

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